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United States Senate

COMMITTEE ON
 GOVERNMENTAL AFFAIRS
 WASHINGTON, D.C. 20510

JOAN M. MCENTEE, STAFF DIRECTOR AND CHIEF COUNSEL
 IRA S. SHAPIRO, MINORITY STAFF DIRECTOR AND CHIEF COUNSEL

August 5, 1983

The Honorable Charles Bowshe
 Comptroller General of the United States
 U.S. General Accounting Office
 441 G Street, Northwest
 Washington, D.C. 20548

Dear Chuck:

As you know the Congress recently mandated coverage under social security for Federal employees hired on or after January 1, 1984. Therefore, under current law, a growing number of new Federal workers will participate in both the civil service and social security retirement programs. On behalf of the Committee on Governmental Affairs we are requesting that the General Accounting Office, the Congressional Budget Office, and the Congressional Research Service undertake a coordinated review and analysis of retirement practices in the public and private sectors in order that the Congress may assess federal pension policy alternatives.

We expect that each of the support agencies will have lead responsibility over major portions of the study. We request that the General Accounting Office (GAO) collect and analyze information on prevailing public and private-sector pension provisions as well as related information on capital accumulation plans. We have also requested that the Congressional Research Service construct and evaluate alternate pension and savings plan designs and compare their potential actuarial costs and individual income replacement rates using characteristics of the federal civilian work force. Additionally we are requesting that the Congressional Budget Office develop certain technical analyses and estimate the budgetary and economic impacts of proposed changes against the current system's structure, financial condition, and investment policy.

Because of the need to link the various parts of the study, we expect that the committee staff will coordinate an information sharing process whereby the agencies pool the results of their research as early as possible and identify areas where the research could lead to changes in assumptions about employee behavior, plan designs, and cost or benefit projections. We recognize that the results of this study depend to a large extent on how the cost and benefit criteria are developed. Consequently, the agencies' analyses should accommodate a wide range of benefit provisions and, to the extent possible, new information and alternate cost parameters. Finally, we recognize that some of the analyses will depend on certain quantitative data that is maintained by the Office of Personnel Management and the Bureau of Labor Statistics.

The specific areas of research and analysis assigned to the GAO have been discussed at length with your staff. We request that your staff work closely with committee staff on a continuous basis throughout the various phases of the study to ensure that various legislative options are developed in a timely manner.

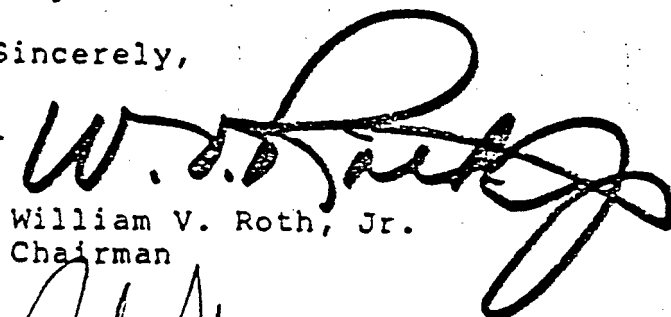
To discuss this request in more detail your staff should contact Mr. John Needham of the full committee staff at 224-4751.

We look forward to the results of your work.

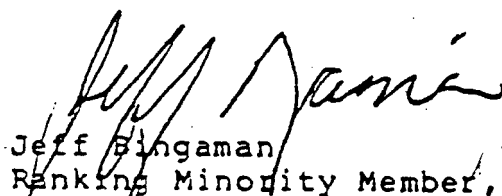
Sincerely,



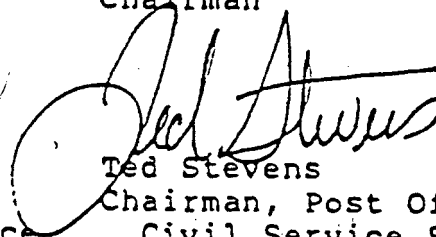
Thomas F. Eagleton
Ranking Minority Member



William V. Roth, Jr.
Chairman



Jeff Bingaman
Ranking Minority Member,
Post Office and Civil Service
Subcommittee



Ted Stevens
Chairman, Post Office and
Civil Service Subcommittee

SCOPE OF GAO ANALYSIS

- I. Coordination with Social Security
 - A. Integration
 1. Offset, steprate
 2. Tilt in formula
 - B. Add on
- II. Retirement Age
 - A. Normal - if under 65, what is done for the later provision of Social Security?
 - B. Early
 1. How early?
 2. What types of reductions?
 - C. Multiple retirement ages + *mandatory*
 1. For different occupations in same business or employer.
 2. For different age and service requirements.
- III. Plan Design
 - A. Defined benefit
 1. Formula - Percentage of salary per year.
 2. Based on what wage base - career average, high 5, high 3?
 3. Contributory or non? If contributory, how much?
 - B. Defined Contribution
 1. Contribution rates by both
 2. Investment schemes and returns
 3. Annuity arrangements
 4. Lump sum withdrawals
 5. Treatment of past service
 6. Unisex tables?
 - C. *Buyout arrangements*
- IV. Replacement Rates
 - A. Pre and post tax
 - B. Varied age and service + *sex*
 - C. After retirement
 - D. With or without spousal benefit
 - E. *Distinguish between benefit + contribution plan*
- V. Inflation Protection
 - A. Pre-retirement - high 3, career average with adjustment like Social Security
 - B. Post-retirement
 1. Automatic
 2. CPI or other index
 3. Capped
 4. *None or ad hoc*
- VI. Costs
 - A. Normal costs
 1. With Social Security
 2. Without Social Security
 - B. Outlays
 - C. Administration of program

Scope of GAO Analysis
Page Two

- VII. Survivor benefits
 - A. Pre-retirement
 - 1. Lump sum
 - 2. Percentage of salary
 - 3. Percentage of projected or accrued benefit
 - B. Post-retirement (same as above)
 - C. Social Security offset
- VIII. Disability benefits
 - A. Percentage of what?
 - 1. Salary
 - 2. Projected or accrued benefit
 - B. At retirement transfer to normal retirement
 - C. Offset to Social Security
 - D. Non-qualification of Social Security
 - 1. Definition of disability
 - 2. Partial and/or temporary disabilities.
 - 3. Actual benefit
- IX. Retirement add ons *Retirement + assignment*
 - A. Thrift plans
 - 1. Voluntary or involuntary
 - 2. Employee contributions - *do + can*
 - 3. Employer contributions
 - 4. Investment
 - 5. Vesting
 - 6. Participation
 - B. Deferred Compensation
 - 1. Percentage of salary deferred
 - 2. Employer match or contribution
 - 3. Same as above
 - C. Other - *stock options, profit sharing*
- X. Vesting
 - A. Age or age and service
 - B. What portion vests
 - C. Withdrawal prior to retirement age.
- *XII. Plan Administration
 - A. Employer, Employee bd., professional administrators, insurance company.
 - B. Where money invested? *E. Audit practices*
 - C. Who makes investment decisions?
 - D. *Legal obligation for public plans*
- XI. Annuities
 - A. Straight life
 - B. Joint and survivor
 - C. Life annuity certain and continuous
 - D. Cash refund annuity
 - E. Other

Scope of GAO Analysis
Page Three

XIII. Other

- A. Benefit computations for those retiring beyond the normal retirement age.
- B. Front, backloading or straight formula - various occupations.
- C. Minimum benefits + maximum
- D. Loan arrangements
- E. Coverage - temporary, part-time.
- F. Actual expected benefits
 - 1. Age
 - 2. Service
 - 3. Amt. of benefit
- G. Collective bargaining involvement
- H.